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2009 DEC -4 P 3:10

AZ CORP COMMISSION
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PIERCE PROPOSED AMENDMENT # 8

DATE PREPARED: December 4, 2009

COMPANY: Arizona Public Service Company

DOCKET NOS: E-01345A-08-0172

OPEN MEETING DATES: December 7-9, 2009

AGENDA ITEM: U-2

Page 8, Line 23

DELETE "11.06 percent" and INSERT "11.00 percent"¹³ with accompanying footnote as follows:

"13. Staff witness Smith testified that to the best of his knowledge only Arizona, Indiana, Kentucky, Maryland, Missouri, Nebraska, and New Mexico and the Texas Railroad Commission continue to base rates on fair value; all other States utilize original cost when establishing rates. Tr at 1730. This makes it difficult to accurately compare the authorized rates of return equity granted by this Commission with the authorized rates of return on equity granted by almost all other States. For example, according to Mr. Smith if the Commission were to use APS' original cost rate base instead of its fair value rate base to award APS a revenue increase of \$344.7 million in this case, the Commission would have to approve a cost of equity equal to 12.06 percent. Tr at 1735. Thus, interested observers should understand that the 11.00 percent cost of equity awarded by the Commission in this order is equivalent to a 12.06 percent cost of equity relative to almost all other States."

Conforming changes.

Arizona Corporation Commission

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